



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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April 9, 1997

Mr. Allan R. Cerny, Secretary
Western States Minerals Corporation
4975 Van Gordon Street
Wheat Ridge, Colorado 80033

Mr. E. B. King
Jumbo Mining Company
6305 Fern Spring Cove
Austin, Texas 78730

Re: Notice of Agency Action in the Matter of the Drum Mine

Dear Messrs. Cerny and King:

The Division of Oil, Gas and Mining has determined to commence a formal hearing before the Board of Oil, Gas and Mining and is seeking an order of the Board to the operators of the Drum Mine to immediately begin, and pursue to completion, reclamation of the mine.

The Division finds that the heretofore informal proceedings should be converted to formal proceedings before the Board. Pursuant to Utah rule R647-5-105.1, the Division has determined that conversion of the proceeding is in the public interest; and that conversion of the proceeding does not unfairly prejudice the rights of any party. Conversion of the Drum Mine adjudication is clearly in the public interest in that it will expedite the reclamation of a mine site that has been inactive and unreclaimed since October of 1990. The public will benefit from the restoration of the area as well, because after reclamation the area will be available for wildlife habitat and recreational use.

Continuing with informal proceedings will waste public resources since the positions of all the parties have been established by the correspondence in the Division's files. An informal conference would be a futile exercise which would result in the waste of the time and money of both the private parties and the Division. It is in the public interest to convert these proceedings from informal to formal.

Neither party will be prejudiced by the conversion of the hearing because both parties have had abundant opportunity to explain their respective positions to the Division. The record clearly demonstrates this assertion. On August 1, 1997, the Division informed Jumbo Mining Company ("JMC") that it intended to seek reclamation of the site unless JMC could provide reasons sufficient to the Division why the site

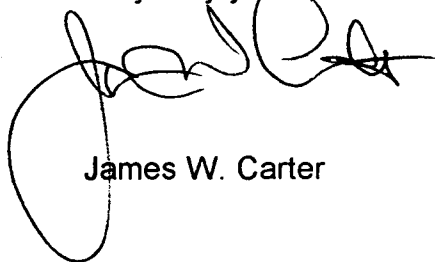
Page 2
Messrs. Cerny and King
April 9, 1997

should not be reclaimed. On August 9th, after reviewing JMC's reasons not to reclaim, the Division informed JMC that the reasons were inadequate and that the Division was requiring reclamation of the mine site. On August 15, 1996, JMC was provided with an informal conference with the Division to discuss the reclamation order. JMC has twice been given an opportunity to present its case and has twice failed to convince the Division to alter its position.

Western States Mineral Corporation ("WSMC") has also been given an opportunity to present its case to the Division. On August 9, 1996, WSMC was informed of the Division's intention to require reclamation. In a letter received by the Division on August 23, 1996, WSMC made its position crystal clear. WSMC believes it has no reclamation responsibility at the mine site and that JMC has all the reclamation responsibility. The Division's position that WSMC retains reclamation responsibility at the site is equally clear.

Conversion of these proceedings from informal to formal will not prejudice the parties, but will, instead, expedite resolution of the matter. Accordingly, the Division has filed with the Board of Oil, Gas and Mining the enclosed Notice of Agency Action seeking an order of the Board to both Jumbo Mining Company and Western States Minerals Corporation to immediately commence reclamation of the Drum Mine. The Division anticipates that the Board will set the matter for hearing on its agenda for May 28, 1997.

Very truly yours,

A handwritten signature in black ink, appearing to read 'James W. Carter', with a large, stylized loop at the bottom left.

James W. Carter

dr
Enclosure
p:formal.wpd